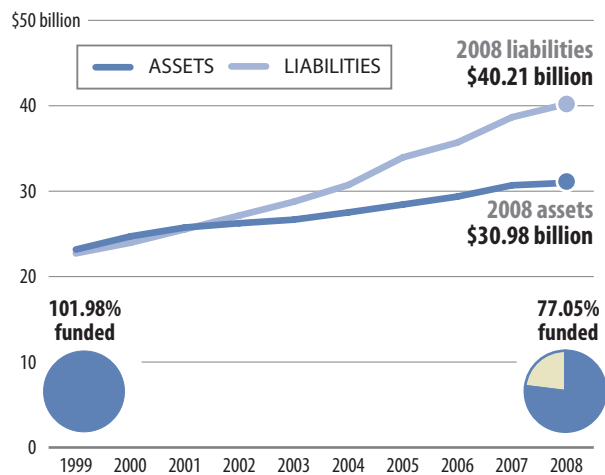


ALABAMA needs to improve how it manages its long-term liabilities for both pension and retiree health care and other benefits. While the state has made 100 percent of its annual required contribution for pensions for each of the past 12 years, this has not been enough to counter a downward trend in funding that started in 2000. As of fiscal year 2008, Alabama had funded 77 percent of its total pension bill, just below the 80 percent benchmark that the U.S. Government Accountability Office says is preferred by experts. In 2007, the legislature directed the state to create irrevocable trusts to begin setting aside assets to pay for Alabama's retiree health care and other benefits. But at the end of fiscal year 2008, the state had set aside only \$400 million of the \$15.5 billion needed to pay those obligations, leaving 97 percent unfunded.

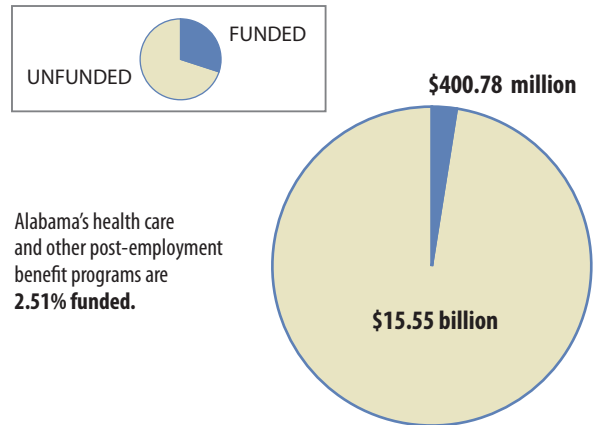
PENSIONS, 1999 – 2008

Alabama's pension liabilities grew 77 percent between 1999 and 2008, outpacing assets, which grew only 34 percent in that period.



HEALTH CARE & OTHER BENEFITS, 2007

Retiree health care and other benefit liabilities are 28 percent of Alabama's total retirement bill but are 63 percent of the state's retirement funding shortfall.



Total Bill Coming Due:	\$40,206,232
Portion Unfunded:	\$9,228,918
Annual Required Contribution (ARC):	\$1,069,214
Percentage ARC Funded:	100.00%

Note: In thousands



PENSIONS: **NEEDS IMPROVEMENT**

Total Bill Coming Due:	\$15,950,194
Portion Unfunded:	\$15,549,411
Annual Required Contribution (ARC):	\$1,313,998
Percentage ARC Funded:	84.31%

Note: In thousands



HEALTH CARE & OTHER BENEFITS: **NEEDS IMPROVEMENT**



Solid performer



Needs improvement



Serious concerns

Our grades assess states on how well they manage their retirement obligations. Each state can earn up to four points for its pension plans: two points for a funding ratio of at least 80 percent; one for an unfunded liability below covered payroll; and one for paying an average of at least 90 percent of the ARC during the past five years. Solid Performer = 4 points. Needs Improvement = 2–3 points. Serious Concerns = 0–1 points. Grading for health care and other benefits is simpler because most states have only recently begun to fund and collect data on these liabilities. States are solid performers if they have set aside assets equal to at least 7.1 percent of their liabilities (the 50-state average), or they need improvement if they have contributed less.

For more details, read the full report at www.pewcenteronthestates.org/TrillionDollarGap.